

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature <i>Hennrich A. Berthiaume</i>		Printed Name		License Number

JAMES TOWNSHIP

Saginaw County, Michigan

FINANCIAL STATEMENTS

March 31, 2008

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**BERTHIAUME
& COMPANY**

Certified Public Accountants



60 Harrow Lane
Saginaw, Michigan 48638

(989) 791-1555
Fax (989) 791-1992

INDEPENDENT AUDITORS' REPORT

To the Township Board
James Township, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of James Township as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of James Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of James Township, as of March 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedule, as identified in the table of contents, is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise James Township's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

Berthiaume & Co.

Saginaw, Michigan
August 14, 2008

BASIC FINANCIAL STATEMENTS

JAMES TOWNSHIP

STATEMENT OF NET ASSETS

March 31, 2008

	<i><u>Governmental</u></i> <i><u>Activities</u></i>	<i><u>Business-type</u></i> <i><u>Activities</u></i>	<i><u>Total</u></i>
Assets:			
Cash and cash equivalents	\$ 1,737,356	\$ 1,022,110	\$ 2,759,466
Receivables	42,046	42,914	84,960
Prepaid expenses	8,944	-	8,944
Investment in joint venture	-	51,126	51,126
Capital assets:			
Nondepreciable capital assets	25,870	-	25,870
Depreciable capital assets, net	<u>561,418</u>	<u>205,472</u>	<u>766,890</u>
Total assets	<u>2,375,634</u>	<u>1,321,622</u>	<u>3,697,256</u>
Liabilities:			
Accounts payable and accrued expenses	33,150	14,042	47,192
Long-term liabilities:			
Due within one year	14,567	-	14,567
Due in more than one year	<u>56,778</u>	<u>-</u>	<u>56,778</u>
Total liabilities	<u>104,495</u>	<u>14,042</u>	<u>118,537</u>
Net assets:			
Invested in capital assets, net of related debt	515,943	205,472	721,415
Restricted for:			
Investment in joint venture	-	51,126	51,126
Unrestricted	<u>1,755,196</u>	<u>1,050,982</u>	<u>2,806,178</u>
Total net assets	<u>\$ 2,271,139</u>	<u>\$ 1,307,580</u>	<u>\$ 3,578,719</u>

The accompanying notes are an integral part of these financial statements.

JAMES TOWNSHIP

STATEMENT OF ACTIVITIES

Year Ended March 31, 2008

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<i>Governmental activities:</i>					
General government	\$ 130,635	\$ 13,622	\$ 2,558	\$ -	\$ (114,455)
Public safety	95,101	7,741	-	-	(87,360)
Public works	108,235	99,000	3,842	-	(5,393)
Community and economic development	8,382	-	-	-	(8,382)
Recreation and culture	7,996	-	-	-	(7,996)
Interest on long-term debt	<u>3,467</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,467)</u>
Total governmental activities	<u>\$ 353,816</u>	<u>\$ 120,363</u>	<u>\$ 6,400</u>	<u>\$ -</u>	<u>\$ (227,053)</u>
<i>Business-type activities:</i>					
Water	<u>\$ 220,613</u>	<u>\$ 244,563</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,950</u>
Total business-type activities	<u>\$ 220,613</u>	<u>\$ 244,563</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,950</u>

continued

The accompanying notes are an integral part of these financial statements.

	<i>Governmental Activities</i>	<i>Business- type Activities</i>	<i>Total</i>
<i>Changes in net assets:</i>			
Net (Expense) Revenue	\$ (227,053)	\$ 23,950	\$ (203,103)
General revenues:			
Taxes:			
Property taxes, levied for general purpose	62,933	-	62,933
Property taxes, levied for fire protection	50,474	-	50,474
Franchise fees	20,357	-	20,357
Grants and contributions not restricted to specific programs	134,409	-	134,409
Unrestricted investment earnings	63,741	45,662	109,403
Total general revenues	331,914	45,662	377,576
Change in net assets	104,861	69,612	174,473
Net assets, beginning of year	2,166,278	1,237,968	3,404,246
Net assets, end of year	\$ 2,271,139	\$ 1,307,580	\$ 3,578,719

JAMES TOWNSHIP

GOVERNMENTAL FUND

BALANCE SHEET

March 31, 2008

	<i>General Fund</i>
Assets:	
Cash and cash equivalents	\$ 1,737,356
Taxes receivable	15,234
Accounts receivable	6,013
Due from other governmental units	20,799
Prepaid expenditures	<u>8,944</u>
Total assets	<u><u>\$ 1,788,346</u></u>
Liabilities and Fund Balance:	
Liabilities:	
Accounts payable	\$ 13,759
Accrued expenses	14,190
Deposits payable	<u>5,201</u>
Total liabilities	<u>33,150</u>
Fund balance:	
Reserved for:	
Prepaid expenditures	8,944
Unreserved:	
General fund	<u>1,746,252</u>
Total fund balance	<u>1,755,196</u>
Total liabilities and fund balance	<u><u>\$ 1,788,346</u></u>

The accompanying notes are an integral part of these financial statements.

RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

March 31, 2008

Total fund balances for governmental funds \$ 1,755,196

Total net assets reported for governmental activities in the statement of
of net assets is different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the governmental funds.

Governmental capital assets	1,258,910	
Less accumulated depreciation	<u>(671,622)</u>	587,288

Long-term liabilities are not due and payable in the current year and
therefore are not reported in the governmental funds:

Contracts payable	<u>(71,345)</u>
-------------------	-----------------

Net assets of governmental activities \$ 2,271,139

The accompanying notes are an integral part of these financial statements.

JAMES TOWNSHIP

GOVERNMENTAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended March 31, 2008

	<i>General Fund</i>
Revenues:	
Property taxes	\$ 113,407
Licenses and permits	27,662
State grants	139,420
Contributions from other units	355
Charges for services	99,000
Fines and forfeits	54
Interest and rents	76,311
Other revenue	<u>2,468</u>
Total revenues	<u>458,677</u>
Expenditures:	
Current	
General government	115,416
Public safety	61,825
Public works	108,235
Community and economic development	8,382
Recreation and culture	7,426
Other	6,297
Capital outlay	8,359
Debt service	
Principal	13,948
Interest and fees	<u>3,467</u>
Total expenditures	<u>333,355</u>
Net change in fund balance	125,322
Fund balance, beginning of year	<u>1,629,874</u>
Fund balance, end of year	<u><u>\$ 1,755,196</u></u>

The accompanying notes are an integral part of these financial statements.

JAMES TOWNSHIP

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended March 31, 2008

Net change in fund balances - total governmental funds \$ 125,322

Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.

Capital outlay	8,170	
Less depreciation expense	(42,379)	
Less loss on disposal of asset	<u>(200)</u>	(34,409)

Repayments of principal on long-term obligations are expenditures in governmental funds but the payments reduce long-term liabilities in the statement of net assets.

13,948

Change in net assets of governmental activities \$ 104,861

The accompanying notes are an integral part of these financial statements.

JAMES TOWNSHIP

PROPRIETARY FUND

STATEMENT OF NET ASSETS

March 31, 2008

	<u><i>Water Fund</i></u>
Assets:	
<i>Current assets:</i>	
Cash and cash equivalents	\$ 1,022,110
Accounts receivable	<u>42,914</u>
Total current assets	<u>1,065,024</u>
<i>Noncurrent assets:</i>	
Investment in joint venture	51,126
Capital assets:	
Depreciable capital assets, net	<u>205,472</u>
Total noncurrent assets	<u>256,598</u>
Total assets	<u>1,321,622</u>
Liabilities:	
<i>Current liabilities:</i>	
Accounts payable	6,379
Accrued expenses	<u>7,663</u>
Total current liabilities	<u>14,042</u>
Net assets:	
Invested in capital assets, net of related debt	205,472
Restricted for:	
Investment in joint venture	51,126
Unrestricted	<u>1,050,982</u>
Total net assets	<u>\$ 1,307,580</u>

The accompanying notes are an integral part of these financial statements.

JAMES TOWNSHIP

PROPRIETARY FUND

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Year Ended March 31, 2008

	<u>Water Fund</u>
Operating revenues:	
Charges for services	\$ 217,981
Connection charges	1,500
Reimbursement for hydrant repairs	<u>25,082</u>
Total operating revenues	<u>244,563</u>
Operating expenses:	
Personnel	55,100
Fringe benefits	4,360
Supplies	1,352
Contracted services	2,419
Purchase of water	100,527
Telephone	1,071
Dues, licenses and permits	1,199
Education and training	257
Insurance	3,900
Repairs and maintenance	26,692
Other services and supplies	201
Depreciation	<u>23,535</u>
Total operating expenses	<u>220,613</u>
Operating income (loss)	<u>23,950</u>
Non-operating revenues (expenses):	
Interest income	<u>45,662</u>
Net income (loss)	69,612
Net assets, beginning of year	<u>1,237,968</u>
Net assets, end of year	<u><u>\$ 1,307,580</u></u>

The accompanying notes are an integral part of these financial statements.

JAMES TOWNSHIP

PROPRIETARY FUND

STATEMENT OF CASH FLOWS

Year Ended March 31, 2008

	<i><u>Water Fund</u></i>
Cash flows from operating activities:	
Receipts from customers	\$ 212,849
Other cash receipts	25,082
Payments to employees	(55,100)
Payments to suppliers	<u>(144,448)</u>
Net cash provided by operating activities	<u>38,383</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	<u>(42,805)</u>
Net cash used by capital and related financing activities	<u>(42,805)</u>
Cash flows from investing activities:	
Interest	<u>45,662</u>
Net cash provided by investing activities	<u>45,662</u>
Net increase in cash and cash equivalents	41,240
Cash and cash equivalents, beginning of year	<u>980,870</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,022,110</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ 23,950
Adjustments:	
Depreciation	23,535
Change in assets and liabilities:	
Accounts receivable	(6,632)
Accounts payable	(333)
Accrued expenses	<u>(2,137)</u>
Net cash provided by operating activities	<u><u>\$ 38,383</u></u>

The accompanying notes are an integral part of these financial statements.

JAMES TOWNSHIP

FIDUCIARY FUND
STATEMENT OF NET ASSETS
March 31, 2008

	<u><i>Agency Fund</i></u>
Assets:	
Cash and cash equivalents	\$ 32,724
Total assets	<u>\$ 32,724</u>
Liabilities:	
Accounts payable	\$ 6,013
Due to other governmental units	<u>26,711</u>
Total liabilities	<u>\$ 32,724</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of James Township conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity:

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Township. In evaluating the Township as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Township may be financially accountable and, as such, should be included within the Township's financial statements. The Township (the primary government) has no component units and accordingly, the Township has not consolidated any entities into its financial statements.

Joint Venture – The Township is a member of an intergovernmental agreement to operate a joint water authority with Swan Creek Township and the Township of St. Charles. The Township appoints two members to the joint water authority's governing board. The operating and capital budgets are funded by equal contributions from each government. Each government's share of assets, liabilities, and fund equity is thirty-three and one third percent.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide Financial Statements:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government. These statements distinguish between activities that are governmental and those that are business-type activities.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2008

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The Township first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the Township's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The Township does not allocate indirect costs. In creating the government-wide financial statements the Township has eliminated interfund transactions.

The government-wide focus is on the sustainability of the Township as an entity and the change in the Township's net assets resulting from current year activities.

Fund Financial Statements:

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2008

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Fiduciary funds are accounted for on a spending or economic resources measurement focus and the accrual basis of accounting as are the proprietary funds.

The Township reports the following major governmental fund:

The ***General Fund*** is the primary operating fund of the Township. It is used to account for all financial resources, except for those required to be accounted for in another fund.

The Township reports the following major enterprise fund:

The ***Water Fund*** is used to account for the revenues and expenses for the operation of a water system.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

Assets, Liabilities and Equity:

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments, if any, are stated at fair value. For purposes of the statement of cash flows, the Township considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

Interfund Receivables and Payables – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

Prepaid Items – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2008

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The Township defines capital assets as assets with an initial individual cost in excess of \$1,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Public domain (infrastructure) assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are capitalized if acquired after April 1, 2004. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20-50 years
Distribution system	20-50 years
Equipment	5-15 years
Furniture and equipment	5-10 years
Site improvements	20 years
Vehicles	20 years

Compensated Absences – The Township does not allow the carryover of unused sick or vacation days.

Long-term Obligations – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Eliminations and Reclassifications:

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the “grossing up” effect on assets and liabilities within the governmental activities column.

JAMES TOWNSHIP

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2008

Property Taxes:

Township property taxes are attached as an enforceable lien on property as of December 1 for the winter levy. Taxes levied December 1 are due without penalty on or before February 14. These tax bills include the Township's own property taxes and taxes billed on behalf of the school districts within the Township boundaries and Saginaw County.

The 2007 taxable valuation of the Township totaled \$50,222,277 (exclusive of any Michigan Tax Tribunal or Board of Review adjustments) on which ad valorem taxes levied consisted of .9002 mills for the Township's operating purposes and .9870 mills for fire.

The delinquent real property taxes of the Township are purchased by Saginaw County. The delinquent real property taxes are received soon enough after year end to be recorded as revenue in the current year.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information:

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Township Clerk submits to the Township Board a proposed operating budget by fund for each year. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to April 1, the budget is legally enacted by adoption of the Township Board.
4. Any revision that alters the total expenditures of any fund must be approved by the Township Board.
5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General Fund budget as originally adopted and amended by the Township Board is included in the required supplemental information.
7. All annual appropriations lapse at fiscal year end.

Excess of Expenditures over Appropriations in Budgeted Funds:

During the year, the Township incurred expenditures that were in excess of the amounts budgeted, as follow:

	<u><i>Final Budget</i></u>	<u><i>Actual</i></u>	<u><i>Excess</i></u>
General Fund			
Current			
Other	\$ 605	\$ 6,297	\$ 5,692
Capital outlay	1,500	8,359	6,859

JAMES TOWNSHIP

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2008

State Construction Code Act:

The Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus generated since January 1, 2000 is as follows:

Cumulative surplus at April 1, 2007	\$ -
Current year building permit revenue	7,135
Related expenditures:	
Direct costs	<u>14,674</u>
Cumulative surplus at March 31, 2008	<u>\$ -</u>

NOTE 3: DEPOSITS AND INVESTMENTS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the Township Board is in accordance with Public Act 196 of 1997. The Township's deposits and investments have been made in accordance with statutory authority.

The Township's deposits and investments are subject to risk, which is examined in more detail below:

Custodial Credit Risk of Bank Deposits:

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$2,794,455 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$332,724 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits, and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with acceptable estimated risk level are used as depositories.

The Township had no investments at March 31, 2008.

JAMES TOWNSHIP

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2008

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2008 was as follows:

	<i>April 1, 2007</i>	<i>Additions</i>	<i>Retirements</i>	<i>March 31, 2008</i>
Governmental activities:				
Nondepreciable capital assets:				
Land	\$ 25,870	\$ -	\$ -	\$ 25,870
Depreciable capital assets:				
Buildings and improvements	391,159	5,000	-	396,159
Equipment	290,090	-	-	290,090
Furniture and equipment	51,199	3,170	(8,978)	45,391
Site improvements	4,500	-	-	4,500
Vehicles	496,900	-	-	496,900
Total depreciable capital assets	1,233,848	8,170	(8,978)	1,233,040
Accumulated depreciation	(638,021)	(42,379)	8,778	(671,622)
Depreciable capital assets, net	595,827	(34,209)	(200)	561,418
Governmental activities, capital assets, net	\$ 621,697	\$ (34,209)	\$ (200)	\$ 587,288
	<i>April 1, 2007</i>	<i>Additions</i>	<i>Retirements</i>	<i>March 31, 2008</i>
Business-type activities:				
Depreciable capital assets				
Buildings and improvements	\$ 80,867	\$ -	\$ -	\$ 80,867
Equipment	17,536	-	-	17,536
Distribution system	818,804	42,805	-	861,609
Total depreciable capital assets	917,207	42,805	-	960,012
Accumulated depreciation	(731,005)	(23,535)	-	(754,540)
Depreciable capital assets, net	186,202	19,270	-	205,472
Business-type activities, capital assets, net	\$ 186,202	\$ 19,270	\$ -	\$ 205,472

JAMES TOWNSHIP

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2008

Depreciation expense was charged to functions as follows:

	<i><u>Governmental Activities</u></i>	<i><u>Business-type Activities</u></i>
General government	\$ 8,533	\$ -
Public safety	33,276	-
Recreation and culture	570	-
Water	-	23,535
Total	<u>\$ 42,379</u>	<u>\$ 23,535</u>

NOTE 5: LONG-TERM LIABILITIES

The Township has an installment contract with Community State Bank outstanding as of March 31, 2008 that was used for the purchase of equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. Installment contracts are general obligations, which are direct obligations of the government and pledge the full faith and credit of the Township.

Long-term liabilities at March 31, 2008 consisted of the following:

<i><u>Types of Indebtedness</u></i>	<i><u>Maturity</u></i>	<i><u>Interest Rate</u></i>	<i><u>Annual Principal Installments</u></i>	<i><u>Original Loan Amount</u></i>	<i><u>Outstanding at Year-End</u></i>
<u>Governmental Activities</u>					
<i>General Obligation Bonds:</i>					
2002 Loan - Installment Contract	9/30/12	4.4%	\$9,035-16,618	\$ 140,451	\$ 71,345

The following is a summary of long-term liabilities transactions for the year ended March 31, 2008:

	<i><u>April 1, 2007</u></i>	<i><u>Additions</u></i>	<i><u>Retirements</u></i>	<i><u>March 31, 2008</u></i>	<i><u>Due Within One Year</u></i>
<u>Governmental Activities:</u>					
<i>General Obligation Bonds:</i>					
2002 Loan	\$ 85,293	\$ -	\$ (13,948)	\$ 71,345	\$ 14,567
Total governmental activities					
- long-term liabilities	<u>\$ 85,293</u>	<u>\$ -</u>	<u>\$ (13,948)</u>	<u>\$ 71,345</u>	<u>\$ 14,567</u>

JAMES TOWNSHIP

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2008

Annual debt service requirements to maturity for the above contractual obligations are as follows:

<i>Year Ended</i> <i>March 31,</i>	<i>Governmental Activities</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2009	\$ 14,567	\$ 2,848	\$ 17,415
2010	15,221	2,194	17,415
2011	15,904	1,511	17,415
2012	16,618	797	17,415
2013	<u>9,035</u>	<u>121</u>	<u>9,156</u>
	<u>\$ 71,345</u>	<u>\$ 7,471</u>	<u>\$ 78,816</u>

NOTE 6: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

Receivables and payables as of year end for the Township's governmental and business-type activities in the aggregate are as follows:

	<i>Governmental</i> <i>Activities</i>	<i>Business-Type</i> <i>Activities</i>
Receivables:		
Property taxes	\$ 15,234	\$ -
Accounts	6,013	42,914
Intergovernmental	<u>20,799</u>	<u>-</u>
Total receivables	<u>\$ 42,046</u>	<u>\$ 42,914</u>
Accounts payable and accrued expenses:		
Accounts	\$ 13,759	\$ 6,379
Payroll and related liabilities	14,190	7,663
Deposits payable	<u>5,201</u>	<u>-</u>
Total accounts payable and accrued expenses	<u>\$ 33,150</u>	<u>\$ 14,042</u>

NOTE 7: INTERFUND BALANCES AND TRANSFERS

There were no interfund receivable and payable balances at March 31, 2008.

There were no interfund transfers during the fiscal year.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2008

NOTE 8: RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, employee injuries (workers' compensation), and natural disasters. The Township has purchased commercial insurance to cover any potential claims associated with these risks.

Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

NOTE 9: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Defined Contribution Pension Plan:

The Township contributes to the James Township Group Pension Plan, which is a defined contribution pension plan. The Plan is administered by the James Township Board.

Under the pension plan, all employees and elected officials are eligible to participate in the plan. Plan provisions are established and may be amended by the Township Board.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that might be allocated to such participant's account.

Contributions made by an employee vest immediately and contributions made by the Township vest after 1 year of full-time employment. An employee who leaves the employment of the Township is entitled to his or her contributions and the Township's contributions if vesting requirements are satisfied, plus interest earned. The Township is required to contribute 7.5% of the employee's base salary. Employees are required to contribute 7.5% of their base annual salary. Contribution requirements are established and may be amended by the Township Board.

During the plan year, the Township's required and actual contributions amounted to \$9,829 and the employees required and actual contributions amounted to \$9,829.

Post Employment Benefits:

The Township has no post employment benefits.

Deferred Compensation Plan:

The Township has no deferred compensation plan.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2008

NOTE 10: FUND EQUITY

Specific reservations on fund equity include:

Reserved for prepaid expenditures – This reserve was created to indicate that the portion of fund balance represented by prepaid expenditures is not available for appropriation.

REQUIRED SUPPLEMENTAL INFORMATION

JAMES TOWNSHIP

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2008

	<i>Budgeted Amounts</i>			<i>Actual</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Over (Under)</i>
				<i>Final Budget</i>
Revenues:				
Property taxes	\$ 98,200	\$ 98,200	\$ 113,407	\$ 15,207
Licenses and permits	13,430	13,430	27,662	14,232
State grants	135,500	135,500	139,420	3,920
Contributions from other units	-	-	355	355
Charges for services	100,600	100,600	99,000	(1,600)
Fines and forfeits	50	50	54	4
Interest and rents	11,200	11,200	76,311	65,111
Other revenue	19,135	19,135	2,468	(16,667)
Total revenues	378,115	378,115	458,677	80,562
Expenditures:				
Current				
General government	135,960	133,160	115,416	(17,744)
Public safety	60,900	61,900	61,825	(75)
Public works	139,775	140,185	108,235	(31,950)
Community and economic development	13,915	13,915	8,382	(5,533)
Recreation and culture	9,600	9,600	7,426	(2,174)
Other	550	605	6,297	5,692
Capital outlay	-	1,500	8,359	6,859
Debt service				
Principal	12,235	13,948	13,948	-
Interest and fees	5,180	3,467	3,467	-
Total expenditures	378,115	378,280	333,355	(44,925)
Net change in fund balance	-	(165)	125,322	125,487
Fund balance, beginning of year	1,629,874	1,629,874	1,629,874	-
Fund balance, end of year	\$ 1,629,874	\$ 1,629,709	\$ 1,755,196	\$ 125,487

OTHER SUPPLEMENTAL INFORMATION

JAMES TOWNSHIP

GENERAL FUND

DETAILED SCHEDULE OF REVENUES

Year Ended March 31, 2008

Current Taxes:

Property taxes	\$ 98,135
Administration fees	15,272
	<u>113,407</u>

Licenses and permits:

Business licenses and permits	170
Nonbusiness licenses and permits	7,135
CATV franchise fees	20,357
	<u>27,662</u>

State Grants:

Summer tax collection reimbursement	2,558
Liquor license fees	552
State revenue sharing - sales tax	134,409
Other	1,901
	<u>139,420</u>

Contribution from other units:

Contributions from other local units	<u>355</u>
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Charges for services:

Refuse collection fees	<u>99,000</u>
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Fines and forfeits:

Ordinance fines	<u>54</u>
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Interest and rents:

Interest	63,741
Rents	12,570
	<u>76,311</u>

Other Revenue:

Special assessments	1,941
Other	527
	<u>2,468</u>

Total revenues	<u><u>\$ 458,677</u></u>
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JAMES TOWNSHIP

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES

Year Ended March 31, 2008

General Government:

Board:

Personnel	\$ 14,081
Fringe benefits	125
Supplies	3,467
Dues and memberships	998
Education, training and conferences	2,464
Printing and publications	256
Insurance	1,327
Other	531
	<u>23,249</u>

Supervisor:

Personnel	10,800
Education, training and conferences	10
	<u>10,810</u>

Clerk:

Personnel	10,320
Education, training and conferences	944
	<u>11,264</u>

Audit:

Contracted services	<u>3,775</u>
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Board of Review:

Personnel	1,815
Printing and publications	75
	<u>1,890</u>

Treasurer:

Personnel	11,520
Dues and memberships	40
Education, training and conferences	1,271
	<u>12,831</u>

Assessor:

Supplies	1,104
Contracted services	13,805
Other	448
	<u>15,357</u>

Elections:

Supplies	197
Contracted services	890
Education, training and conferences	18
Other	391
	<u>1,496</u>

JAMES TOWNSHIP

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended March 31, 2008

General Government, continued:

Building and Grounds:

Personnel	5,006
Supplies	1,175
Telephone	2,945
Insurance	2,650
Utilities	8,937
Repairs and maintenance	10,918
	<u>31,631</u>

Attorney:

Contracted services	<u>1,219</u>
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Cemetery:

Contracted services	<u>200</u>
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Other:

Other	<u>1,694</u>
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Total general government	<u>115,416</u>
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Public Safety:

Liquor Law Enforcement:

Personnel	<u>648</u>
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Fire:

Personnel	4,800
Supplies	1,581
Contracted services	8,000
Telephone	2,970
Mileage	119
Dues and memberships	240
Education, training and conferences	3,139
Insurance	10,373
Utilities	6,775
Repairs and maintenance	7,506
Other	<u>1,000</u>
	<u>46,503</u>

Building Inspection:

Personnel	6,750
Supplies	517
Contracted services	7,143
Dues and memberships	100
Education, training and conferences	58
Printing and publications	<u>106</u>
	<u>14,674</u>

Total public safety	<u>61,825</u>
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JAMES TOWNSHIP

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended March 31, 2008

Public Works:

Drains:

Contracted services	9
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Roads:

Contracted services	17,326
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Street Lighting:

Utilities	3,901
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Refuse:

Contracted services	86,999
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Total public works	108,235
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Community and Economic Development:

Planning:

Personnel	5,740
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Supplies	48
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Contracted services	778
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Dues and memberships	985
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Education, training and conferences	20
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Printing and publications	81
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7,652

Zoning:

Personnel	730
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Total community and economic development	8,382
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Recreation and Culture:

Parks and Recreation:

Personnel	3,740
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Insurance	1,400
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Repairs and maintenance	250
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Other	2,036
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7,426

Other:

Pension	5,697
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Payroll taxes	600
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6,297

Capital Outlay:

General government	6,170
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Public safety	2,189
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8,359

JAMES TOWNSHIP

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended March 31, 2008

Debt Service:

Principal	13,948
Interest and fees	<u>3,467</u>
	<u>17,415</u>

Total expenditures	<u><u>\$ 333,355</u></u>
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JAMES TOWNSHIP

FIDUCIARY FUND – AGENCY FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Year Ended March 31, 2008

	<u><i>April 1, 2007</i></u>	<u><i>Additions</i></u>	<u><i>Deductions</i></u>	<u><i>March 31, 2008</i></u>
<u>Tax Collection Fund</u>				
Assets:				
Cash and cash equivalents	\$ 9,458	\$ 1,521,436	\$ 1,498,170	\$ 32,724
Total assets	<u>\$ 9,458</u>	<u>\$ 1,521,436</u>	<u>\$ 1,498,170</u>	<u>\$ 32,724</u>
Liabilities:				
Accounts payable	\$ 9,458	\$ 221,908	\$ 225,353	\$ 6,013
Due to other governmental units	<u>-</u>	<u>1,299,528</u>	<u>1,272,817</u>	<u>26,711</u>
Total liabilities	<u>\$ 9,458</u>	<u>\$ 1,521,436</u>	<u>\$ 1,498,170</u>	<u>\$ 32,724</u>

JAMES TOWNSHIP

GOVERNMENTAL ACTIVITIES

SCHEDULE OF INDEBTEDNESS

March 31, 2008

2002 INSTALLMENT CONTRACT

Issue dated September 17, 2002 in the amount of	\$	140,451
Less:		
Principal paid in prior years		(55,158)
Principal paid in current year		<u>(13,948)</u>
Balance payable at March 31, 2008	\$	<u>71,345</u>

Balance payable as follows:

<i><u>Fiscal</u></i> <i><u>Year Ended</u></i>	<i><u>Interest</u></i> <i><u>Rate</u></i>	<i><u>Principal due</u></i>	<i><u>Interest due</u></i>	<i><u>Total</u></i> <i><u>Annual</u></i> <i><u>Requirement</u></i>
2009	4.40%	\$ 14,567	\$ 2,848	\$ 17,415
2010	4.40%	15,221	2,194	17,415
2011	4.40%	15,904	1,511	17,415
2012	4.40%	16,618	797	17,415
2013	4.40%	<u>9,035</u>	<u>121</u>	<u>9,156</u>
		<u>\$ 71,345</u>	<u>\$ 7,471</u>	<u>\$ 78,816</u>



REQUIRED COMMUNICATION TO JAMES TOWNSHIP IN ACCORDANCE WITH PROFESSIONAL STANDARDS

To the Township Board
James Township

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of James Township for the year ended March 31, 2008, and have issued our report thereon dated August 14, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated December 13, 2006, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by James Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates may be particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates affecting the financial statements.

Disclosures

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures may be particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements, if any.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 14, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Discussions with Management

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Internal Control Matters

In planning and performing our audit of the financial statements of James Township as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered James Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control. Accordingly, we do not express an opinion on the effectiveness of the Municipality's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Municipality's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that misstatement of the Municipality's financial statements that is more than inconsequential will not be prevented or detected by the Municipality's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Municipality's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined above.

Deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above, follow:

Recording, Processing and Summarizing Accounting Data

Criteria: All governmental units are required to have in place internal controls over recording, processing, summarizing accounting data and preparing financial statements. SAS No. 112 requires us to communicate with you about this.

Conditions: As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the recording, processing, summarizing accounting data and preparing financial statements as part of its external financial reporting process. Accordingly, the government has placed reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.

Cause: This condition was caused by the government's decision that it is more cost effective to have external auditors recommend the necessary adjusting journal entries to its general ledger and prepare the financial statements than to incur the time and expense for the government to perform these tasks internally.

Effect: As a result of this condition, the government lacks internal controls over the recording, processing, summarizing accounting data and preparing financial statements, and instead relied, in part, on its external auditors for assistance with this task.

View of Responsible Officials: The government has evaluated the cost versus benefit of establishing internal controls over the recording, processing, summarizing accounting data and preparing financial statements, and determined that it is in the best interests of the government to rely on its external auditors to recommend the necessary adjustments and preparation of the financial statements.

This communication is intended solely for the information and use of management, Township Board, and others within the Municipality, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Berthiaume & Co.

Berthiaume & Company
Certified Public Accountants
Saginaw, Michigan

August 14, 2008